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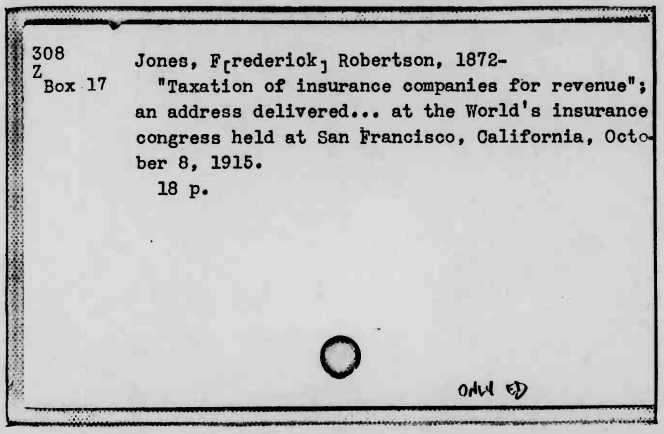

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"Taxation of Insurance Companies for Revenue."

AN ADDRESS DELIVERED

BY

F. ROBERTSON JONES

SECRETARY-TREASURER, WORKMEN'S COMPENSATION PUBLICITY BUREAU

NEW YORK, N. Y.

AT THE

WORLD'S INSURANCE CONGRESS

HELD AT

SAN FRANCISCO, CALIFORNIA

October 8, 1915

9 Nov. 1915

"TAXATION OF INSURANCE COMPANIES FOR REVENUE."

The distinguished English economist, Professor W. S. Jevons, has remarked that a kind of intellectual vertigo attacks all who treat the fatal theme of money. The statement is no less true, I believe, when taxation is the subject under discussion. Legislators and state officials in particular and the public in general seem to lose their heads when this subject is up for practical consideration. Skilled politicians and hard-headed business men, who are accustomed to submit every important proposition to the acid test of common sense, will make the most egregious blunders and will seemingly throw to the winds their native logical endowments when they are called upon to provide an equitable method of securing revenues to meet the demands of the state. The subject, of course, is not a simple one, as is well illustrated by the divergence of opinion among economists themselves, even as regards its most elemental principles. The literature upon the subject is replete with evidences of this fact; and even the four maxims respecting taxation set forth by Adam Smith have been hacked at until scarcely a splinter remains intact, although they were very generally concurred in by economists immediately subsequent to Smith and were thought to have become classical. They have been quoted over and over again as if they contained truths of great moment; but, if carefully analyzed, they seem entirely inadequate to the economist of to-day.

Whatever may be the divergence of opinion among the authorities with respect to the principles that should underlie a system of taxation, there is little or no difference of opinion among the laity as to the undesirability of paying any taxes whatever. Aside from a general acceptance in the abstract of the necessity of levying taxes and the necessity of somebody paying them, we are all of us, as individuals or as managing officials of corporations,

either consciously or unconsciously making every effort to bear as little of that burden as possible.

This paper, however, is not a plea for the total exemption of insurance companies from taxation; it is only just that the insurance companies should be taxed sufficiently to pay for the insurance departments of their respective states and thus relieve the state of an expense to which they subject it. They should not, however, be taxed in excess of this; for a tax on insurance, causing, as it does, an increase in the cost of insurance to the assured, and so lessening the amount of insurance purchased, *is an anti-social tax*. In states where the present tax is in excess of this minimum necessary to cover the expense of the insurance department, the tax should, therefore, be reduced to such an amount. And furthermore, this amount should be raised by means of a general state tax—no recourse being had to the various local and special forms of taxation by which insurance companies are now harrassed. This general tax should be, as far as practicable, uniform as between the various classes of insurance companies and the different states—where lack of such uniformity frequently causes the enactment of retaliatory laws.

Such a reduction in the amount of the tax on insurance companies could be easily obtained did the policy-holders and legislators understand by whom this tax is really paid. I find, however, that there is a very general misconception on the part of the legislators and citizens of the various states as to who, ultimately, bears the burden of the taxes upon insurance companies. They almost uniformly argue that the money is taken not from the people of their state, but, for the most part, from insurance corporations of other states; that the Texas tax, for instance, is drawn largely from companies chartered in New York, Connecticut, Massachusetts, Maryland or Illinois; and that consequently the people of Texas are just to that extent relieved from the burden of taxation. Nothing could be farther from the truth or more illogical than such a statement. An insurance company, in whatever state chartered, of its very nature is only a "handler" of the premiums that it collects from policy-holders. It does not create values in the same sense that a shoe factory does. It merely collects premiums from the many to pay a large percentage of them out again to the few

who are unfortunate enough to meet with accidents. Stated differently, the insurance company is nothing more than a clearing-house as between the many who purchase insurance to protect themselves against future catastrophies and the few of their number who actually meet with such catastrophies—the only percentage of such purchase money (premiums) retained by the insurance company is that necessary to ensure a fair return to invested capital and to pay the costs of the business.

Those who argue thus illogically (that taxes collected from insurance companies foreign to their state do not come out of their own people) lose sight of a very important fact. A going concern must load every item of additional expense upon the costs to the policy-holder—otherwise it would either show no adequate return to capital invested or would "go broke" in short order; for free and spirited competition between insurance companies has already reduced the costs of the business as low as possible, so that no saving can be effected in them towards paying the tax. If a tax is imposed upon the companies, there is nothing for them to do but to load the amonnt of the tax upon the premiums charged to the policy-holder. And only to the extent that this increase in the cost of premiums prevents the as yet uninsured from becoming insured, or the already insured from purchasing additional insurance, does the tax affect the insurance company. If the assured pays one hundred dollars ($100.00) annually for a personal accident insurance policy—the cost of which, if there were no tax, would be ninety-three dollars ($93.00)—his power to purchase more insurance is lessened by exactly the amount of the tax. When Ohio collected from insurance companies in 1912 a million and a third dollars in taxes, the companies were compelled to load just that additional amount upon their premiums; and, by doing so, lessened the annual power of the policy-holders of Ohio to purchase additional insurance of a million and a third dollars. It is in this way that the tax affects the insurance companies; it lessens the amount of insurance purchased.

The real incidence of the tax upon insurance companies is thus thrust upon the policy-holder in increased premiums; or else, in case competition for the time being interferes with the smooth working of economic laws, the financially weaker companies are

driven to a point below the margin of financial safety. This leads me to make the statement, somewhat parenthetically, that it is never to the interest of the public in general or the policy-holder that insurance companies should be induced to charge very low premiums or insurance rates; it is rather very much indeed to their interests that the companies should be compelled to charge adequate insurance rates—and by "adequate" I mean rates that will insure their financial solvency. The public, instead of urging legislation compelling a reduction in insurance rates irrespective of considerations of safety, should on the contrary urge their legislators to enact laws compelling insurance companies to charge *adequate* rates. For, in the last analysis, insurance is nothing more or less than a special manifestation of the ordinary principal of banking. We have fairly good laws controlling the conduct of banks—the whole object of such laws being to conserve the financial responsibility of such banks in the interests of the depositors and of the public. What should we think of a law requiring banks to charge no more than three percent. interest when five or six percent. is the measure of the money market conditions in a particular locality? Or of a law permitting banks to lend out all of their money and prohibiting them from establishing adequate reserves?

That the policy-holder, in the last analysis, must indisputably pay the insurance tax is a fact recognized by the insurance officials of most of the states. They have declared themselves to that effect upon numerous occasions and in numerous reports. A great deal of credit, too, is due them for their courage in thus expressing frankly their convictions; for they realize better than any one else the danger of advocating an unpopular cause and of running counter to what many state officials and legislators believe to be the best interests of their state. Many of the insurance commissioners are appointed by the governor, some are elected, and all are more or less subject to popular clamor as to the length of their tenure of office. Therefore, it is a real act of courage for them to put themselves on record in the unqualified manner in which they have done so; for they have nothing immediate to gain by such advocacy, and in some cases, much to lose.

In the thirty-eighth annual report of the Michigan Insurance Department, that exponent of a "square deal" for everybody,

James V. Barry, then Commissioner, wrote as follows:

> "It will be seen, therefore, that during the last fiscal year Michigan collected from the insurance companies authorized to transact business in this state, $464,871.02 in excess of the total cost of conducting the insurance department of the state. The aggregate of fees and taxes annually paid by the insurance companies to the various states of the Union is, in round numbers, $12,000,000.00 (approximately $20,000,000.00 in 1914) while the cost of maintaining the several insurance departments is but $2,000,000.00. Inasmuch as all this vast sum is paid by policy-holders in the shape of increased rates, the justness and expediency of the tax is a matter worthy of serious consideration."

Commissioner James R. Young of North Carolina expresses himself very much in the same way in his report on 1912 business. I quote a paragraph as follows:

> "As has been stated frequently by the Insurance Commissioner in his reports and recommendations, he has not undertaken to run the department for revenue. The Commissioner and those who have had occasion to look into the matter are satisfied that more good is accomplished for the state and her citizens by a proper supervision of the business than by the collection of taxes."

An additional reference will, I believe, suffice to show the attitude of insurance commissioners—I refer to the Thirty-third annual report (business of 1914) of Hon. D. M. Rolph of Colorado:

> "The fees and taxes collected by this department are fifteen times more than the cost of its operation. Inasmuch as the two percent. tax on premiums paid for insurance protection is a tax upon the insuring public, and is expended for purposes other than the supervision of insurance companies, it is an injustice to the citizens of Colorado and I recommend that it be reduced to one percent. This suggestion is in conformity with a uniform movement throughout the United States to equalize the

taxes of insurance companies for the various states. One percent. with the other fees would still leave an income that would provide for all operating expenses of the department and for any unforeseen contingencies that might arise."

Thus, with few exceptions, the commissioners criticise the tax on the ground that it is paid by the policy-holder—as one might put it, by the *consumer* of the insurance. "But why not?" asks the student of economics. "So the tax on any commodity—cigars or liquor or whatever it may be—is paid by the consumer of that commodity. Why is this so undesirable in the case of the tax on insurance?" Precisely because this tax, being paid by the policy-holder, is a tax on two of the greatest of social virtues—thrift and providence for the want attendant upon calamity. "Human misfortune and sorrow," said E. E. Rittenhouse when Colorado Commissioner of Insurance, "are made to pay tribute to the state treasury. It is true that the tax-gatherer is not at the bedside of the sick or injured, or of the dying, demanding for the state its calamity tax. It is collected in advance from the premiums. Why should the state tax this man (the insurer) for his most worthy and commendable act in guarding his family from misery and want after he has passed away? If this is a fair and honorable thing to do, would it not also be fair and honorable to demand a portion of the contents of the contribution boxes at our churches, for these offerings are often also collected for the benefit of the sick and injured in the hospitals, and for the widows and the orphans, as well as for other benevolent purposes."

Thomas E. Drake, formerly Superintendent of the Insurance Department of the District of Columbia, likened the tax on insurance companies to a tax on schools and churches.

"Health and accident insurance," writes the Minnesota Commissioner (Report for 1912) "is the poor man's insurance. It has well been termed bread and butter insurance."

The Missouri Commissioner says in his 1909 report:

> "Life insurance is an indispensable incident to modern civilization. It is an equalizer of good fortune and of misfortune; an incentive to thrift, and performs, in a large measure, functions which otherwise would fall upon the state."

And it is as a tax on thrift that Robert J. Merrill, Insurance Commissioner of New Hampshire, criticises the tax on insurance. His recent report shows such an insight into the practical side of the problem that I cannot refrain from quoting a paragraph or two, as follows:

> "This department has turned into the state treasury during this fiscal year upwards of one hundred thousand dollars. The Legislature appropriated for its maintenance $6,800—a clear profit of more than $94,000. This statement is not made for the purpose of asking that any particular credit be given on account of this showing. The revenue was collected because the law provided it should be. There is no reason why the state should exact these large sums each year, exacted not from the insurance companies, *but really from the citizens of our own state, who are thrifty enough to insure their future independence* in some degree. But there seems to be little reason for expecting any change in this particular as long as taxation continues to be based upon the idea of securing as much as possible from convenient and defenseless reservoirs of funds, the tapping of which does not apparently interest the man with the vote."

Commenting upon Mr. Merrill's statement, an insurance company paper (Travellers) uses the following apt illustration:

> "If village neighbors collected $1,000 for a destitute widow and her orphans and were met at her house by a tax-gatherer demanding $70 he would probably be mobbed. Yet this is what our states take from every $1,000 paid to the widows—and all because agents and policy-holders stand by and assent to its being done, and some policy-holders even censure the officers for endeavoring to prevent increased taxation and then demand cheaper insurance."

I am very glad to say, too, that the principle advocated by Mr. Barry has been fortified and amplified by one of his successors,

John T. Winship, who in the forty-fifth Michigan report (business of 1914) expresses himself unequivocally as follows:

> "The gross receipts of the state insurance department for the last year amounted to $737,973.42, the greatest in the history of the insurance department . . . .
>
> This would not be so bad were it drawn uniformly from all citizens, but it is only drawn from the provident, those who realize the necessity of insurance. From an economic standpoint, it must be admitted that the taxation of insurance premiums is a tax upon thrift and prudence. So long as the department can be supported by the retaliatory fees exacted from insurance companies there seems to be little practical sense in exacting the enormous taxation on premium income from the companies, when it is positively known that in making the premium rates they add the taxation cost, and our own people pay it. If insurance were a luxury there might be an argument in favor of this peculiar method of doing business, but it is not a luxury; it is a necessity. *Life insurance relieves the drain upon the poor funds of the various municipalities and counties and upon the charitable institutions of the state, and as for fire insurance its abandonment would stop the wheels of commerce.*"

The same may be said, with practically an equal amount of truth, of the various classes of casualty insurance. As a matter of fact, the National Convention of Insurance Commissioners, an organization of the insurance commissioners of all the states, has from time to time declared against excessive taxation of insurance companies in the most emphatic terms.

This attitude of the commissioners is well fortified by the best economic thought upon the subject. The noted English economist, John Stuart Mill, in his "Principles of Political Economy" (Vol. II, page 463) condemns the tax upon insurance as follows:

> "Some of the taxes on contracts are very pernicious, imposing a virtual penalty upon transactions which ought to be the policy of the legislator to encourage. Of this sort is . . . . the tax on insurance (which is) a direct discouragement of prudence and forethought . . . . If this tax (i. e. a heavy fire insurance tax) existed in France, we should not see, as we do in some of her provinces, the plate of an insurance company on almost every cottage or hovel . . . . A tax of so extravagant an amount would be a heavy drag upon any habits of providence."

The economist, McCullough, accepts this view of Mill, when he states that such a tax "discourages that providence and forethought, encouragement of which ought to be an object with all prudent governments;" and "Seeing the vast importance of insurance, *it may well be doubted whether it ought to be charged with any duty, however slight.*"

In condemning taxation of insurance on the grounds of its being a "tax on thrift," I do not mean a tax on money saved *as a result* of thrift. All taxes are, in this sense, taxes *on thrift;* for they must be drawn from the surplus of wealth over and above that required to sustain a minimum of existence—a surplus which is created by thrift. You cannot collect taxes from the man who has nothing, or who has only just enough to sustain life, unless you return it to him in the form of charity. In condemning the taxation of insurance as taxation of *thrift*, we mean of the *very act* and *process* of thrift, by which the assured provides against future want attendant upon catastrophy—whether death, injury, sickness, or the destruction or loss of property by fire or other accidental cause. As such, the taxation of insurance is in the highest degree anti-social.

It is therefore desirable to reduce this taxation to the lowest practical amount—that is, to the point where it just covers the expense of the state insurance department. To what extent taxation is now in excess of this amount may be seen by a cursory examination of the reports of the state departments.

The fees and taxes collected by the Colorado and New Hampshire insurance departments during 1914, for instance, were more than fifteen times the cost of their operation; while in Missouri, in 1909 they were about twenty-three and a half times. In comparison with Georgia, Iowa and Ohio, however, those figures sink into insignificance, for, during 1912, nearly fifty times as much was taken by Georgia from the insurance companies in taxes as was

needed for the expenses of the department; while in Ohio and Iowa (1914) it was nearly forty and fifty times as much respectively. There are a number of other states that have, from year to year, averaged anywhere from twenty to twenty-five times the amount.

The gross receipts from the tax in many states reach a high figure. In 1912, Ohio collected from insurance companies over a million and a third dollars; Iowa, in 1914, over half a million dollars; Wisconsin, 1911, over three-quarters of a million dollars; Michigan, in 1913, over three-fifths of a million dollars; while the relatively small industrial states of North Carolina and Oklahoma collected approximately one-quarter of a million dollars each on 1912 business, and Tennessee and Maryland, over four hundred thousand dollars and three hundred thousand dollars respectively. These various state insurance taxes, taken together with fees, etc., run in the aggregate all the way up to seven percent. or more of the gross premium income of some classes of insurance companies.

Not merely in quantity, however, but in kind, the present taxation of insurance is objectionable. In addition to the state percentage tax upon gross premiums (minus, usually, reinsurance premiums and returned premiums on cancelled policies)—averaging approximately two percent.—there are collected numerous fees, etc., by the state and local governments. These, I find, include approximately twenty-six separate kinds. An insurance company never files a scrap of paper, secures a statement of any kind, nor exercises any of its legitimate prerogatives without having to pay a fee or license of some kind. In some local instances such payments aggregate more than the company's receipts. In addition to the premium tax, fees, licenses, etc., the companies have to pay in some states franchise taxes, fire marshall taxes, and make special deposits of cash or securities. The report of the Virginia Joint Committee on Tax Revision has a paragraph upon this subject as follows:

> "At present the revenue derived by the Government from those engaged in the business of insurance is made up of a multitude of different fees, charges and taxes. Every insurance company must pay the charter fees, franchise and registration charges, required of all corporations; it pays a license tax of $20,000 to the state; it pays another tax for the support of the Bureau of Insurance, and a $5.00 annual fee for a license certificate; it makes a small payment for the care of the securities which it is required by law to deposit with the Treasurer; it pays on its real estate and tangible property; it pays a state tax levied on premium income; it must make to each municipality for the privilege of transacting business a license payment which varies from place to place in form and amount but which is usually levied without regard to the amount of business done; and, in addition to all this, a company chartered by Virginia must pay under a statute that is obscurely worded and difficult of construction, a tax on its capital to the state and to the locality where it has its home office."

At this point, I cannot avoid the temptation to indulge in a digression from the strict limits of the subject of this paper to condemn what I consider to be possibly the most objectionable of all charges upon the income of insurance companies—one that brings no revenue to the state and confers no advantage on the insuring public—I refer to that type of "graft" that has been fastened upon insurance companies in many states, namely, the compulsory advertising of abstracts of annual financial statements in newspapers of various cities and counties.

More than half our states require such publication; and the requirement is obviously a flagrant case of the exercise of political influence by the newspapers. These requirements range all the way from that of Delaware, where the state pays the cost, to that of Maryland where such abstract must be published not only once a week for three consecutive weeks in a daily newspaper published in the city of Baltimore, but likewise in at least one other newspaper three times, and also in a newspaper in each of the counties of the state where the company in question transacted business during the preceding year. This species of imposition goes far to illustrate the fact that insurance companies are by some legislators considered easy and legitimate prey. They have the ready money and they are not in a position to avoid the hungry wolves. The imposition of such burdens as this, not to speak of the large and increasing state taxes, is not consistent with the criticism, on the

part of some legislators, of the premium rates charged by insurance companies and the passing by these legislators of drastic and unreasonable laws ostensibly to regulate those rates but in fact to push them down below the margin of financial safety. Our legislators demand that insurance companies charge less and less for their policies, but nevertheless proceed to enact laws placing not only additional tax burdens upon them, but likewise unwarranted costs such as the compulsory publication of abstracts of financial statements—all of which burdens, of course, must be reflected ultimately in the additional cost of insurance to the policy-holders.

There is, however, a very well defined sentiment among the insurance commissioners of the various states to the effect that this requirement of the publication of abstracts of financial statements, besides raising the cost of insurance, it is absolutely useless. As representative of this intelligent and fair minded attitude of the insurance commissioners, permit me to quote from the thirty-third annual report of Hon. D. M. Rolph, Commissioner of Insurance of Colorado, as follows:

> "The laws of this state require every insurance company doing business herein to publish in a newspaper of general circulation annually a synopsis of its financial condition and a copy of its certificate of authority from the Commissioner of Insurance. The Commissioner is of the opinion that this publication is of little value to the citizens of this state; is an additional expense to the companies, and is ultimately paid by Colorado policy-holders. This law should be repealed. This recommendation is in accordance with the uniform movement throughout the United States to repeal similar laws."

I could quote similar expressions of opinion by insurance commissioners; but I think the one quoted above is sufficient to illustrate the point. It is an imposition almost of the nature of a nuisance and should be abated by all right minded citizens and legislators at the earliest possible date.

The argument advanced by those who believe that insurance companies should be subjected to this expense (if, perchance, they advance any at all), is that the public in general and policy-holders

in particular of the state in question will be enabled by this abstract of financial statements to determine for themselves not only the individual financial condition of the companies publishing it but likewise their relative financial condition. That argument is grounded on three false assumptions, namely, that the public will read the statement; and, reading it, will understand it; and, understanding it, will make logical deductions. The public, in general, will not do any one of these three things; they will not read the statement; they would not understand it if they did read it; and they would, as a rule, not arrive at accurate conclusions as to the relative financial merits of various companies even though they grasped the significance of the individual statements; for the abstracts published are so brief and the subject-matter so technical that it would probably take a trained actuary to arrive at right conclusions.

Even though we granted, for the sake of argument, the ability of the general public to arrive at right conclusions from the publication of abstracts of financial statements, yet, under the present day system of close supervision of insurance companies by state departments of insurance, such publication is unnecessary and hence wasteful: the Insurance Commissioner is the one to whom the public should look for guidance in matters of this kind. He has the facts and, usually, trained actuaries to interpret these facts. Furthermore, he has the power to issue and revoke the licenses of insurance companies of other states doing business in his state. Consequently this required publication of abstracts of financial statements serves no purpose whatsoever: except that of harrassing the insurance companies, already subject, as we have seen, to the vexation of a score of petty forms of taxation in addition to the general state tax.

That this tax burden is increasing from year to year will not admit of contradiction—the annual reports of the commissioners demonstrate this fact clearly. Not only does the gross amount collected increase (which is the natural outcome of a normal increase in the volume of insurance written) but either the percentage of the tax itself increases or the number of kinds of tax—and in some cases both. An analysis of the bills introduced in the various legislatures of the country during the past few years will demonstrate this fact.

Robert Lynn Cox, Manager of the Association of Life Insurance Presidents, in his report for 1915, says:

> "The increase in measures for the taxation of life insurance companies is distinctly alarming. It is very evident that this situation causes public unrest among the various states dealing with the subject of taxation. The increased cost of conducting state governments must be provided for in some way, and the tendency is towards securing the additional revenue needed by taxing life insurance companies."

(He might have said "all kinds of insurance companies.")

Mr. Cox also points out that, while in a similar period two years ago the tax bills introduced numbered only 302, the first five months of 1915 produced 734 measures of this character. Although not all of these bills became laws, yet a respectable percentage of them did.

The reasons for this increase in taxation of insurance companies are manifold; but perhaps among the most important of them are the well pronounced movement toward prohibition of the sale of liquor resulting in the loss of revenue from that source; the growing budgets of the various states; and the more general appreciation of the legislators of the golden opportunities afforded them of getting easy and ready money from insurance companies. The elimination of the liquor traffic has brought about a real and pressing deficit in the revenues of a number of our states; and their legislators, compelled to look around for new or augmentable sources of revenue to fill the state's depleted money-chest, naturally tap those reservoirs which experience has shown, produce the largest supply and furnish the least resistance, viz.; the insurance corporations.

A good illustration of this fact may be found in the attitude of the Virginia Joint Committee on Tax Revision (to which reference has already been made) which, during the past year, has been giving considerable attention to a general reconstruction of the tax system of that state. The members of this committee, at public hearings, tentatively and unofficially expressed the opinion that they thought insurance companies were taxed too heavily; and that not

only should the general tax be reduced but the local taxes eliminated altogether. This view, however, was immediately qualified in the statement that neither proposition would receive favorable consideration by the legislature, for a fertile source of state revenue would be eliminated when the prohibition law went into effect *and the deficiency would have to be made up in "some way."* An increase in the tax upon realty or upon local manufacturing industries would not only bring about violent resistance on the part of those affected, but would likewise bring about political retaliation. They thought, too, that the local state administrative divisions would be loath to give up their fertile source of revenue from the insurance companies; in other words, that the "dog had the bone in his mouth and that he would not give it up except under extreme compulsion."

Consequently, aside from an equalization of the tax as between different kinds of insurance companies, about the only alleviation recommended by the Virginia Committee in its report of 1914, was "that the municipal license charges be abolished, and that these and other payments be consolidated into one tax levied on the gross income from premiums collected in Virginia."

Both of these measures, the abolition of the various local and special taxes (excepting those on realty) in favor of one general state percentage tax upon net premiums, or better, upon profits, and the equalization of the tax as between different kinds of insurance companies, should be adopted throughout the country. Equally desirable is the establishment of uniformity of taxation in the different states—the lack of which gives rise to objectionable retaliatory laws. But of prime importance to the general public as well as to the policy-holder and the insurance company, is the *reduction of the tax to the point where it will just cover the cost of the state department.*

How is this most urgent legislation to be brought about? Will the general public bestir itself? Not till it is educated as to the true anti-social nature of the tax. Will the policy-holder grapple with the problem? Not till his eyes are opened to the fact that this tax is paid by him. Is it then the insurance companies which should take the matter up with the legislature? Any agitation on their part would be discounted as the natural outcry of the victims of the tax.

The course which I urge as the most practicable and effective is the following: Let the insurance companies undertake to educate the public to the fact that the tax on insurance is a thoroughly anti-social tax; and the policy-holder, to the fact that the tax is taken out of his own pocket. Then the companies may cease from their labors; they will have made their cause the cause of the public in general, and, more particularly, of the policy-holder. The public and the policy-holder will do the rest.

The first step in this campaign will be for all insurance companies of whatever class to combine in an educational alliance for this specific purpose. In so far as the tax problem is concerned, the interests of life, fire, marine, casualty and surety insurance companies, if not entirely identical, are so nearly identical that they can co-operate harmoniously.

I would suggest a small general committee composed of representatives from each of the five classes of business mentioned above, to which shall be entrusted the duty of planning the ways and means by which an educational campaign can be best conducted. The machinery already exists for selecting these representatives—each class of insurance having its legislative or underwriting bureaus. Such an alliance and such a committee, having nothing to do with the matter of rates, could not, by any stretch of the imagination, be considered as coming even under the edge of the most stringent of the anti-monopolistic state laws; and the raising of funds for such a campaign would be a matter of pro rata contribution according to premium writing.

This educational committee should possess itself of every right avenue of gaining the attention of policy-holders, and the general public, some of which avenues I take the liberty of suggesting as follows:

1. *Conventions*—At which prominent men representing all phases of political and economic life shall be invited to speak.

2. *Literature*—Publication and wide distribution of addresses made at these conventions and also of statistics and graphic arguments.

3. *Pink Slip*—A notice attached to every policy contract stating just what part of the premium is represented by the taxes paid to the state and local divisions thereof; and just how much cheaper the premium would be if these taxes were removed.

4. *Agents*—Utilization of that vast army of capable, industrious and influential representatives of the insurance company, every one of whom is a voter and many of whom are either prominent in their localities or on friendly terms with those who are prominent.

5. *Social Workers*—Their assistance could easily be obtained inasmuch as, urging universal insurance as one of the preventatives of pauperism, they already regard any anti-insurance measure as anti-social.

Such an education alliance, with such ways and means, cannot be formed too promptly for the liberation of the insurance company, the policy-holder and the general public from the toils of a tax so excessive, so ill adjusted and so anti-social.

The way to resume specie payment, was to resume; the way to begin our educational campaign, is to begin.

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